

City of Corunna
Special Council Meeting
Wednesday, December 10, 2003

Present: Corey, Lantis, Mehig, Runyan, Sanderson, Wagner.

Absent: Johnson (arrived at 6:40 p.m.).

Guests: Joe Sawyer, City Manager; Judy Horton; Janet Washburn, Parks and Recreation Director; Merilee Lawson, Assessor/Planner; Shirley Sanderson; John Stender, Hawkeye Environmental; Phil Hathaway, City of Owosso; Glen Merkel, Davis Cartage; Joe Borgstrom, Shiawassee Economic Development Corporation; and other concerned citizens.

The meeting was called to order in the City Council Chambers by Mayor Corey at 6:30 p.m.

AGENDA APPROVAL: Runyan moved, Sanderson seconded to approve the agenda as presented.

Roll call vote:

Yes: Lantis, Runyan, Mehig, Wagner, Sanderson.

No: None.

Motion CARRIED

CONSIDER LAND ACQUISITION: Joe Borgstrom thanked the city council for their participation in the Shiawassee Economic Development Partnership and advised he was present to encourage the city council to accept the gift offered by KVVN Realty. He further advised the city would also be getting help from the Shiawassee Economic Development Partnership to market the property and with any financing packages that are available. Joe Sawyer advised no action was needed tonight to accept the property, but he would like to have approval to have an environmental analysis done on the property. John Stender advised a Phase I environmental site assessment is designed to be a historical research of a piece of property from 1940 or beyond whenever a piece of industrial property becomes available commercial use. A site assessment is designed to protect the buyer or grantee from any future claims against environmental wrong doings of past companies. He further advised Michigan law states the owner of a piece of property is responsible for cleaning up the property if there is contamination. His company would research the property back to the turn of the century because preliminary indications show the property has been industrial since 1908. He also advised his company would be looking to see if hazardous materials were used at the site and if so, was the material handled properly. A magnetic sweep would also be done on the property. Mayor Corey asked what year the Michigan law was enacted that requires a Phase I site assessment to be done. Mr. Stender advised the Brownfield Redevelopment Act was adopted in 1996. Mayor Corey asked why the current owners would not have been obligated to do a site assessment. Mr. Stender advised in 1986, the Comprehensive Environmental Compensation Liability Act was adopted and the act states the property owner will be held liable if the owner has caused the contamination.

Councilperson Johnson arrived at 6:40 p.m.

Mayor Corey asked if it would be reasonable to ask the current property owners if they had an assessment done when the property was purchased. Mr. Stender advised yes. Councilperson Runyan stated Mr. Stender referred to having researched the property back to 1908. Mr. Stender advised he has only done preliminary research. Councilperson Runyan stated Mr. Stender must have been referring to the plant located behind the current property. Mr. Stender advised he has old maps and records that refer to the property as the Corunna Furniture Manufacturing Facility, and there was this furniture factory, Corunna Mills and another furniture factory to the east of Corunna Mills. He further advised he has some old fire insurance maps at his office, which shows the development of this property. He also advised there is nothing in the law that states a Phase I assessment has to be done, but if the city does not do anything and something happens in the future, then the city could be held liable. Mayor Corey asked how long the Phase I environmental assessment would take. Mr. Stender advised he told Mr. Sawyer three weeks, but the assessment would be done within one to one and one-half weeks. Councilperson Sanderson asked if the two plastic manufacturing plants had to do an environmental study when the plant changed hands. Mr. Stender advised there is nothing in the law that states any environmental work has to be done on a piece of property before buying, selling or using the property. Councilperson Sanderson asked Mr. Stender if he would be able to recommend to the city that the city pass on the project anytime during the Phase I assessment. Mr. Stender advised at the end of the Phase I assessment, the city would be given a recommendation as to what should be done, but he does not see any reason why the city should pass on the property because the city can protect itself all the way through the process. Councilperson Runyan asked if soil-boring samples would be done around the building. Mr. Stender advised not at this time. Mayor Corey stated a magnetic sweep of the property would also be done. Mr. Stender advised inside the building would be almost impossible but his company would be looking for underground tanks, barrels, and drums. If his company finds something wrong above the residential criteria, then this makes the site a contaminated site in the eyes of the state. He further advised his company has 45 days to submit a report to the state for a determination. Councilperson Lantis stated if the property is used as a warehouse then the state might approve the plan quicker, but asked how this would affect the city if the property is sold. Mr. Stender advised if someone is going to use the same hazardous substance on the property, the state would want to have the entire site evaluated so if something does happen in the future, the state can tell who did what and when. Councilperson Lantis stated this could potentially hurt the sale. Mr. Stender stated as long as everyone is protected all the way down the line, there is no reason not to go forward with a purchase. Councilperson Runyan stated it sounds like the Phase I assessment is easy to pass, but the Phase II will be the one that would get someone. Mayor Corey advised it depends on what is found during the Phase I. Councilperson Mehig stated if everything during Phase I is okay, then Phase II does not have to be done. Mr. Stender advised correct. Mayor Corey asked if \$2,595 was the amount of the contract with McKenzie Environmental Services. Mr. Stender advised yes. Johnson moved, Mehig seconded to contract with McKenzie Environmental Services, Inc. to do

a Phase I environmental site assessment in an amount not to exceed \$2,595 to come out of the Industrial Development Contractual Services Fund. Councilperson Lantis stated she agrees that the city has to do the study, but she feels the city is putting the cart before the horse because she would like to see what the maintenance costs would be before deciding to accept the building. Councilperson Sanderson stated the city is under a short timeframe. Mr. Sawyer stated if the city waits two weeks to accept the property, then this will cost the city \$30,000 because the city will have to pay the property taxes. He agrees that this might be putting the cart before the horse, but asked if the city wants to spend another \$30,000 to take the time to study all of the maintenance and utility issues. Mayor Corey stated it appears that the city does not want to accept the property without a Phase I assessment. Mr. Sawyer advised the city could accept the property without a Phase I assessment but this is not advisable from the city's engineers and attorneys. Merilee Lawson advised most of the maintenance and utility questions could be answered tonight. Councilperson Johnson asked what the city's attorney has advised. Mr. Sawyer referred council to the third page of the council packet from the bonding council. The e-mail from the bonding council states the same information that Mr. Stender has already given. Councilperson Lantis asked why the city would have to pay \$30,000 in taxes. Mr. Sawyer advised if the city does not accept the property by December 31, then the property does not come off the tax roll and the city will be responsible for the property taxes. Councilperson Lantis asked what about the property owner. Mayor Corey advised the city would be the property owner. Councilperson Lantis stated why something could not be worked out with the current property owner, which states the current property owner has to pay the taxes before the city accepts the property. Mr. Sawyer advised the city could ask Mr. Katz, but he would not do that. Ms. Lawson advised if the city does not own the property as of December 31, the property would have to remain on the tax roll for the 2004 tax year and someone will have to pay the taxes. Mr. Katz is not willing to pay the property taxes for another year, but he is willing to turn over the building to the city as of December 31. She further advised she is the person who pushed for December 31 because of the property tax issue. Mr. Sawyer advised the purpose of the meeting was to solicit additional questions so additional information can be obtained. Councilperson Lantis stated once Mr. Katz donates the property to the city, Mr. Katz would get a tax write-off but gets to call all of the shots. Ms. Lawson stated Mr. Katz was planning to transfer the property to the city after the first of the year, but she was the one to suggest that he go back to his bookkeeper and change the transfer date to the end of December so the city can remove the property taxes from the tax roll. Councilperson Lantis stated if the city says no, then Mr. Katz would keep the building and pay the property taxes. Mayor Corey stated if the city waits until February to obtain the building, Mr. Katz would still get a tax write-off, but since the property is still on the tax roll, the taxes would be due. Mr. Katz could tell the city he would not give the property to the city unless the city is willing to pay the taxes. Mayor Corey asked if the city was willing to invest \$30,000 in February to receive this gift. The other option is to receive the gift prior to December 31 and the city will not have to pay the taxes. Councilperson Lantis stated she understood this, but the city could bargain with Mr. Katz by not accepting the gift unless he pays the taxes. Ms. Lawson stated she has been negotiating with Mr. Katz for two or three months and these are the terms that Mr. Katz has laid out. The city could go back to him but the odds are not favorable that he would agree to pay the taxes.

Mayor Corey advised there is no value to have a building sit empty in the city no matter who owns the property. Councilperson Runyan stated the council is at a point of no return. The city is taking a risk but the risk will be very minimal since the property is being donated to the city. He further stated the city will have a gas and light bill, water and sewer bill, etc., but by the end of the year, the city should receive its money back. Councilperson Mehigh stated Ms. Lawson and Mr. Sawyer have beat the negotiations to death and this is a gamble for the city, but it would be a bigger gamble if the city does nothing and the building sits empty for years. The city should go ahead with the Phase I environmental assessment. Councilperson Mehigh further stated the city does not know all of the answers right now, but there are people who want to use the building.

Roll call vote:

Yes: Sanderson, Mehigh, Johnson, Lantis, Wagner, Runyan.

No: None.

Motion CARRIED

Mr. Sawyer asked Phil Hathaway if he had any comments. Phil Hathaway stated the City of Owosso has never gotten anything this nice. He further stated the City of Corunna should set up a Brownfield Development Authority, which will create opportunities for tax benefits for future users. A Brownfield Development Authority will allow the city to capture taxes on the site to pay all of the bills and some of the administrative costs. Mr. Hathaway explained a Brownfield Development Authority could be an expansion of the planning commission, which could meet on the same night. He recommended declaring the whole city as a Brownfield District so the city does not have to set up a district each time one is needed. The forms needed to set up a Brownfield District can be printed off of a computer. He further explained there are people throughout Michigan who look for Brownfield properties before looking for new property because the Brownfield property benefits are so great. He also explained the City of Owosso has 12 Brownfield projects that are up and running and Owosso has gotten many grants because the city owns the property. Councilperson Johnson asked if the City of Corunna should have a Brownfield Development Authority. Mr. Hathaway advised yes but it takes 40 days to set up a city as a Brownfield zone and will cost the city nothing to start an authority.

Mayor Corey asked Mr. Merkel if he had anything to say. Glen Merkel stated his company has run out of warehouse space and has been looking to lease additional warehouse space. He toured the building on Sunday and the back part of the building is in very good shape. He further stated he would be interested in a short-term (six month) lease with some extensions and if the building were sold, he would like a 90-day eviction notice. Councilperson Mehigh asked how many square feet he would be interested in leasing. Mr. Merkel advised he would be interested in leasing the back 20,000 square feet with minimal improvements such as new doors and there is another 33,000 square feet that would need to be made secure to keep rodents and birds out since food would be warehoused in the facility.

Councilperson Runyan stated Corunna has never had a Brownfield area and asked if the city would have to include private homes in the district. Ms. Lawson advised instead of picking one area or another as a Brownfield District, it would be best to make the entire

city as a Brownfield District. Mr. Sawyer stated Brownfield projects are very building site specific and do not operate like a Downtown Development Authority where taxes are captured on a whole district. Ms. Lawson advised the junkyard site could also be included in the Brownfield District.

Mr. Sawyer reviewed the packet of information he handed out to council. He advised if anyone had any questions to call him or Ms. Lawson. Ms. Lawson explained the electric and gas analysis included in the information packet. Councilperson Mehigh asked Mr. Hathaway if the City of Owosso would accept the property if they had a chance. Mr. Hathaway advised the City of Owosso would not hesitate to accept the property. Mr. Sawyer advised there are six parties interested in leasing the building including Davis Cartage, who is only interested in leasing the 22-foot high ceiling area for warehousing purposes. There are five people interested in the building for permanent usage. He further stated one of these people is interested in using 6,000 square feet for a machine tool and gear type business. The person would be interested in a long-term lease or one of the out lot developments. He also stated there is a 4,000 square foot pole barn on the property that this person is interested in. Mr. Sawyer advised a second prospect is interested in purchasing the entire building for a manufacturing business but would not need the back lots. This company would bring about 50 new jobs to the city. He further advised there might be 30,000 square feet that this company would be interested in leasing to some of the other interested parties. Mayor Corey stated many of the companies interested in purchasing the building might want to lease out space on their own. He further stated none of the people interested in the building would interfere with a lease arrangement that Mr. Merkel would need on a short-term basis. Councilperson Johnson asked Mr. Merkel if there would be employees in the building at all times or if his intent was just to use the building for storage. Mr. Merkel advised he is looking for an off-site additional storage facility, which will be used 24 hours per day until the building is filled and the food products would ship out via truck within a month or two. He further advised if the building comes on the market and the price is right, he would not be opposed to purchasing the building. Councilperson Sanderson asked if the city would get out of the real estate business if the city gets a fair price for the building. Mr. Sawyer advised yes. Councilperson Lantis asked if there were any estimates on what it would cost to fix the building to make the building desirable to lease out. Mr. Sawyer advised he did not have any estimates yet. Mayor Corey stated he had a discussion with Bruce Cook from the Shiawassee Valley Development Corporation and they might be able to offer financial assistance to encourage the development of jobs in the community. Mr. Sawyer advised he is having comparable work done on industrial building values as well as lease rates in the Shiawassee County and Genesee County markets. Mayor Corey stated it is clear that a decision has to be made this month to save the city money and in Mr. Merkel's case, he needs to know if a lease will be available. Mayor Corey further stated if anyone has any questions, they should call Mr. Sawyer or Ms. Lawson immediately instead of waiting for a formal meeting. Councilperson Mehigh asked if another special meeting would be held before December 31. Mayor Corey advised yes. Ms. Lawson advised Mr. Katz is leaving the county on December 21. He has a quitclaim deed drafted and ready for release. Mr. Sawyer asked if the deed could be escrowed at the title company. Ms. Lawson advised she would discuss this with Mr. Katz.

Councilperson Mehigh suggested including the words “pending the evaluation of the contamination” in the resolution. He stated the timeframe is going to be pretty tight to get an environment study done before Mr. Katz leaves the country so he needs to know if the city council should accept the gift pending no major contamination. Mr. Stender stated even if there is major contamination, there is no reason not to accept the building because his company will protect the city from the liability of having to clean up the contamination. He felt certain that nothing has happened during Mr. Katz’s ownership that could have made the situation worse. Councilperson Mehigh stated he wants to get the evaluation done as quick as possible and the building is a great gift that the city has never received in the past. He asked what could be done to speed up the evaluation. Ms. Lawson asked if the Phase I would be done by December 21. Mr. Stender advised yes. Councilperson Lantis stated Mr. Katz has lost tenants in two years and asked why the city would succeed at leasing the building when he has failed. Ms. Lawson advised Mr. Katz put the building in the hand of a real estate company who did nothing to find a tenant. There were two entities that called this real estate company and was told the building was not available. Mr. Sawyer asked council to call him Tuesday if anyone has a question about what it would cost to maintain or improve the building.

ROUNDTABLE DISCUSSION: Councilperson Johnson thanked everyone who came to the meeting and for all of their answers.

Councilperson Wagner stated he thought the building was an excellent opportunity for the city and he is very excited about this gift.

Councilperson Runyan thanked the people who attended the meeting for their help.

Councilperson Lantis stated she felt better about this issue after the discussion and thanked everyone for their answers.

Councilperson Mehigh stated the city has never had anything like this come along in the past and the city might never get something like this again.

Mayor Corey thanked everyone for attending the meeting tonight and for their help.

Councilperson Johnson thanked Mr. Sawyer, Mayor Corey and Ms. Lawson for doing an outstanding job.

ADJOURN: Wagner moved, Johnson seconded to adjourn.

Roll call vote:

Yes: Mehigh, Lantis, Runyan, Johnson, Sanderson, Wagner.

No: None.

Motion CARRIED Time was 8:31 p.m.

STEVE COREY, MAYOR

LINDA M. LeCUREUX, DEPUTY CLERK